

**Remarks of  
Chairman Julius Genachowski  
Federal Communications Commission**

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Thank you for inviting me, and thank you all for coming. The fact that you chose to be here and woke up before 9 a.m. in Las Vegas is much appreciated.

Thank you to my fellow FCC Commissioners, Michael Copps, Mignon Clyburn and Meredith Baker, who are here and will participate in a session this afternoon. I'm more than happy to serve as their warm-up act.

The last time I was at an NAB convention I was here ... as a broadcaster.

It was in the late 1990s, and I was part of the USA Broadcasting team launching stations that had carried HSN.

We focused on local sports as anchor programming -- expensive -- as we launched original programming including local news and children's -- all expensive -- against fragmenting audience and ad dollars. Not easy.

Meanwhile, of course, we were trying to make sure we got our DTV license applications in on time -- protecting our basic must-carry rights, and hoping we might get digital must carry.

I know first-hand the challenges of local broadcasting. And I certainly understand the real-world impact on broadcasters of the economic crisis we've been suffering through.

I have enormous respect and admiration for the many broadcasters who succeed as businesses while providing news and other programming that serves America's local communities.

And who do so in this time of change, as cable and satellite have continued to grow, and as use of the Internet and mobile phones has exploded.

We see these changes every day.

I know *I* see it when I look at my children and compare their experiences to mine.

I grew up watching over-the-air TV. Channel 9 was the Mets; Channel 11 the Yankees; Channel 2 was Walter Cronkite and Jim Jensen, watching with my father; Channel 5 was Dinah Shore with my mom. Cable didn't come to my childhood home until after I left for college.

Flash forward. My 18-year-old son has never *not* had cable, and isn't particularly interested in which channels are 'broadcast' and which are 'cable'. With new viewing platforms from video game consoles to laptops to smartphones – all as natural to my son as the TV -- content has been liberated from context.

I can only imagine what my 3- and 5-year-olds' viewing habits will be when they are teenagers - but I can tell you that most of their interaction with PBS characters comes through iPhone apps.

I could tell similar stories for radio, of course. By the way, not widely known but true: I was a radio DJ while in high school, spinning disks -- literally -- on an old carrier-current station.

And so I have particular appreciation for the accomplishments of the radio industry. I note with pride that, notwithstanding new sources of audio programming, radio has actually grown its over-the-air audience by almost 10 percent over the last decade.

Through our Media Bureau, we recently authorized a power increase for HD radio. We also updated our rules to let AM stations use FM translators.

I appreciate the many voices of thanks on these topics when I visited the floor yesterday.

And I was impressed on the floor by what I saw of the work being done on the transition to digital of both radio and TV.

The transition to DTV didn't change -- and in fact it underscored -- the original vision of the value of what broadcasting can bring to our country: Local news. Weather. Sports. Emergency information. A platform for diverse voices and creative programming. Educational programming for our kids.

Many broadcasters still supply important connective tissue holding our communities together.

And as a new generation of startups with funny names but growing audiences seek to provide content to local communities on new platforms, more and more broadcasters are seeking to extend *their* reach beyond the traditional platform. As I heard one broadcaster say: Wayne Gretzky goes where the puck is going; we need to go where the audience is going: online and mobile.

And so during the recent snowstorms in D.C., not only were local broadcasters a lifeline for the community, WRC-TV used its robust Web site and Twitter feed to help residents who had lost power get up-to-the-minute information through their computers and phones.

Many stations like KCRA 3 in Sacramento have entered into partnerships with cityvoter.com to engage local residents and develop user-generated "Best Of" lists for their community.

LinTV partnered with a company called News Over Wireless to develop an iPhone app for all 27 of its TV stations.

Last month, the Corporation for Public Broadcasting announced a major local journalism initiative that will form teams of multimedia journalists who will report via multiple platforms -- TV, radio, online and mobile.

I noted with interest that NAB has copyrighted a new word to describe your transforming industry in this multiplatform world: "broader-casting."

We want to work with broadcasters as you seek to reach your audience both over the air and through the Internet.

A core goal of the FCC is to foster a thriving, healthy and competitive media landscape on all platforms.

I believe it's vital that the Internet remain free and open for content creators like you to innovate and reach your audience, and vital also that you can protect your content online against unlawful copyright infringement.

Now, as the digital revolution creates challenges and opportunities for broadcasters, it does so for our nation as a whole.

We're in the midst of a transformative digital age, and having a world-leading broadband infrastructure is a vital part of our national strategy to compete globally and have an enduring engine of job creation and economic growth in the 21<sup>st</sup> century.

Unfortunately, recent studies have ranked U.S. broadband infrastructure as low as 15<sup>th</sup> globally for adoption and 18<sup>th</sup> for speed.

A 2009 study placed the US 40<sup>th</sup> out of the 40 countries in the study in "the rate of change in innovative capacity."

That says we're at serious risk as a country in not moving quickly enough on our technology infrastructure in and other areas to remain the world's leader in innovation.

Many believe there is no bigger opportunity for the United States than leading the world in mobile innovation.

Mobile Internet access can be not only a powerful platform for substantial 21<sup>st</sup> century job and business creation, but also a critical part of the solution to pressing national challenges like education, health care, energy, and public safety.

But a real problem looms.

On our current trajectory, the demand for spectrum for mobile Internet access will outstrip the supply. By a lot.

You don't have to take my word for it.

During our open broadband process, over one hundred companies – technology, telecom, electronics and others, representing many billions of dollars of ongoing investment and millions of American jobs – submitted a formal filing stating, “Our nation’s ability to lead the world in innovation and technology is threatened by the lack of sufficient spectrum for wireless broadband applications and services.”

This is not a theory or idle speculation. It’s math and physics.

Here are some facts that illustrate the issue, also part of our broadband record.

An advanced Internet-connected smartphone -- like what most of you have in your pockets (and 20 percent have actually checked) -- generates *30 times* the data volume of the cellphones they replaced.

A wireless netbook generates *450 times more data*.

There are over 280 million wireless subscribers in the U.S.

Three years ago the iPhone, Droid, and PalmPre didn’t exist.

Today, *one-quarter* of American wireless subscribers have smartphones. And Nielsen projects that smartphone penetration will more than double by the end of 2011, and keep climbing.

Data from multiple sources submitted as part of our broadband record tell us to expect a *40-fold* increase in mobile Internet demand over the next 5 years.

And those projections were prepared before the iPad was introduced.

That 40-fold increase in demand compares to a three-fold increase in spectrum for mobile broadband coming online.

That’s the gap we need to narrow -- if we’re going to lead the world in mobile, and seize the opportunity for job creation at home.

Other countries are not standing still. As my colleague Meredith Baker has reminded us, Germany is on the verge of auctioning 340 megahertz of additional spectrum for mobile broadband, and Japan is reportedly planning to make spectrum blocks totaling 500 megahertz available for 4G deployments.

And here at home we’re already seeing signs of the problems to come. Reports of consumer frustration with mobile are growing -- and will only increase if we stand still.

No question. Our country faces a serious issue.

And while it's not the time to *panic*, it is the time to *plan*. If we wait for the crisis to hit, it will be too late to act without significant cost to our economy and global competitiveness.

So what should be done about this?

Many things. There's no silver bullet.

To deliver the mobile Internet future, we'll need new spectrum-efficient *technologies*, and we're asking at the FCC how can we best incentivize the development and deployment of such technologies.

We'll also need spectrum-efficient *policies*, and we're asking at the FCC how can we best accelerate market-based solutions like secondary markets and spectrum flexibility.

These strategies are necessary. But not sufficient. The record is clear: America needs more spectrum for mobile internet access.

The wireless industry formally called for recovery of 800 megahertz of spectrum. Our National Broadband Plan calls for the recovery of 500 megahertz of spectrum over the next 10 years – from multiple private and government users across the spectrum chart. Certainly not limited to, but including, broadcast spectrum.

What about broadcast spectrum?

Some have suggested that all 300 MHz now allocated to broadcasting should be reclaimed and auctioned.

Others take the view that the status quo is fine; no change needed.

The Broadband Plan recommends neither course. Instead, it lays out a well-balanced plan designed to be a win-win-win for broadcasters, mobile Internet providers, and the American people.

It proposes voluntary incentive auctions -- a process for sharing with broadcasters a meaningful part of the billions of dollars of value that would be unlocked if some broadcast spectrum was converted to mobile broadband.

The plan would give broadcasters the *choice* to contribute their licensed spectrum to the auction and participate in the upside.

The plan would give broadcasters the *option* of channel sharing. For example, a broadcaster could contribute half of its capacity and share spectrum with another broadcaster in the market, continuing to broadcast their primary programming streams and more, while lowering their operating expenses and gaining infusions of capital.

The large majority of broadcasters may well be uninterested in this choice -- and that is completely fine as far as the plan is concerned.

But why should a broadcaster who sees benefit in sharing spectrum be denied the opportunity to take it?

Why shouldn't we seek to find sensible strategies, consistent with the public interest, to bring more market-based incentives to broadcast spectrum?

By the way, the incentive auction proposal would apply to all bands of spectrum. It's a creative, 21<sup>st</sup> century idea for wise and efficient spectrum policy.

A lot has been said and written about this auction proposal, including at this conference, that just isn't accurate.

Let me make four points about incentive auctions as applied to broadcasters, and dispel four myths.

One, these auctions are voluntary. Period. Participation is up to the licensee and no one else.

Two, for the Plan to work, we don't need all, most, or even very many licensees to participate.

If a relatively small number of broadcasters in a relatively small number of markets share spectrum, our staff believes we can free up a very significant amount of bandwidth.

And rural markets would be largely unaffected by the recommendation in the broadband plan because the spectrum crunch will be most acute in our largest population centers.

Point three, we anticipate mechanisms to reduce or even eliminate risk, and maximize upside, for broadcasters that elect to participate in the auction. For example, the plan could allow broadcasters to set a reserve auction price below which their licenses wouldn't transfer. The mechanism could lock in a payment for broadcasters, while allowing for participation in upside above that level.

Four, auction rules and mechanisms will be developed through an open and transparent process, with ongoing dialogue about the best design mechanisms for incentive auctions, focusing on what will actually work and meet the country's needs.

In sum, the intention of the proposal is to provide broadcasters with more choice and flexibility, not less. More business model options, not fewer. While at the same time helping address a vital national challenge.

Let me now address some myths about incentive auctions.

*Myth #1: The plan is to confiscate broadcasters' spectrum and drive broadcasters out of business.*

Not so. Again, the incentive auction plan is voluntary. No one will be forced to participate. In fact, this is the opposite of a confiscation; it would be an economic boost to broadcasters that elect to participate.

Also it's important to note that the broadband plan anticipates that broadcast spectrum would be less than 25 percent of the 500 MHz target in the broadband plan. No spectrum stone is being unturned.

*Myth #2: The plan will diminish voices and harm the values of broadcast diversity and localism.*

To the contrary, giving broadcasters new options and an additional source of financing should strengthen the industry and bolster the public interest.

The plan could bring the greatest benefits to broadcasters that provide programming to underrepresented portions of a local community.

Because the advertising base is smaller, the traditional broadcast model has always been a challenge for such broadcasters, and digital fragmentation is putting more pressure on the business model. It's a particular challenge for these stations to invest in new streams of over-the-air digital programming where that programming isn't subject to must carry.

The incentive auction plan would give local broadcasters serving minority or other underrepresented audiences a new choice: share spectrum, continue programming and carriage, reduce operating costs, and gain a capital infusion. For some broadcasters, it could make the difference in having a business and staying on the air.

*Myth #3: The Plan will prevent broadcasters from deploying Mobile DTV.*

Another misperception. I'm pleased that the DTV transition has enabled the development of standards and the launch of market trials for mobile DTV. Our job is not to predict innovation or business models, but to enable them. Under the incentive auction plan, broadcasters will be able to provide mobile DTV, both licensees that choose to retain all 6 megahertz, and those that choose to share.

*Myth #4: Consumers will need to purchase new equipment*

Not the case. First, of course, the plan would have no effect at all on viewers who receive their broadcast signals from cable, telephone or satellite providers. Viewers who receive their broadcast signals over-the-air would simply need to rescan their current TVs or converter boxes. And to the extent a transition would impose any new costs on broadcasters themselves, those costs could be covered by the auction proceeds.

Now, some people have asked, what happens if the incentive auction doesn't work?

I truly believe it won't come to that. Our country can't afford for it to come to that.

I believe that a voluntary auction plan based on unlocking billions of dollars of value and sharing it, a plan that needs the participation and spectrum-sharing of a limited number of broadcasters, who will get to lower their operating costs, and receive a cash infusion, while continuing on the air. I believe such a plan can and will produce a multi-level win for a series of great American industries – including broadcasting, mobile broadband, consumer electronics, and technology companies – that it will empower new innovators and entrepreneurs, and that it will bring significant benefits to consumers and taxpayers.

I also believe that, whatever we might think or hope, this issue won't go away, because the mobile web – and the opportunities it provides, and the data demand it will generate – won't go away.

And so I call on all broadcasters to ignore the hyperbole and focus on the real challenges and the real opportunities.

Move beyond inside-the-beltway debates and tactics. Consider carefully what the National Broadband Plan actually proposes. Accept our offer to work with us constructively on fleshing it out, improving it where appropriate, and finding a real win for the country and all stakeholders.

As a next step toward solving problems together, I'm pleased to announce that the FCC will be convening an Engineers Forum, which will enlist broadcast, mobile and other engineers to address concrete technical issues raised by the plan and help develop the best path forward. That will be followed by similar efforts involving business executives.

The FCC staff and I have real hope that these direct roll-up-your-sleeve sessions will produce progress and good outcomes.

Now, I've chosen to focus my remarks on the incentive auctions, but of course technology and business changes are raising additional issues at the FCC. Let me touch on some of them briefly.

Retransmission consent has been much in the news recently.

Many broadcasters tell us they are pleased to finally receive cash compensation for their programming from cable operators and other multichannel providers.

I agree that the market is the preferred method to determine broadcast-cable arrangements.

At the same time, these commercial negotiations between broadcasters and multichannel video providers affect third parties who aren't at the table.

I'm concerned about sudden program interruptions, and about the potential for rising cable rates. Some ask: is 'free TV' really free when cable rates go up because of retransmission fees?

There are legitimate questions about whether to update the 20-year-old framework for retransmission consent and must carry. As we move forward, I'll be focused on making sure we have a framework that is fair to consumers, as well as each of the businesses involved.

On media ownership, the FCC will soon issue a Notice of Inquiry, launching the next stage of review of our ownership rules.

Two points. First, I believe Congress was right when it instructed the FCC to review its ownership rules on a regular basis to make sure the rules fit the changing facts and economic realities of the marketplace.

Second, I believe that the traditional Communications Act values of competition, localism, and diversity remain core and essential values in the 21<sup>st</sup> century.

And with broadcast ownership rules, as elsewhere, an America with universal broadband access and deployment looks different from one without.

One of the most significant effects of the changing media and economic landscape is the potential crisis in journalism. Network news, newspapers, newsmagazines have slashed the number of reporters who provide accountability journalism and credible information to communities.

This moment presents a great business challenge to local broadcasters -- but also perhaps an opportunity. As other outlets cut back, and as the online news business model develops slowly, can local TV news fill the void?

As I mentioned earlier, there are already some promising examples of commercial and non-commercial broadcasters upping their commitment to local news. Will this become more widespread and substantial? Can we all look back at this period as the golden age of local TV news?

Just yesterday, the new nonprofit investigative journalism service Pro Publica won a Pulitzer Prize in collaboration with the New York Times -- a partnership between a commercial news provider and a nonprofit would have been unthinkable a few years ago. Is this a sign that new approaches, new partnerships can achieve historic goals in the 21<sup>st</sup> century?

These are some of the questions being asked by the FCC's project on the Future of Media and Information Needs of Communities. Steve Waldman, a journalist and entrepreneur, is leading a top-to-bottom study on the subject, thinking fresh about how best to implement longstanding principles in the digital era.

We're also taking a fresh look at the ways in which new media technologies can help educate and inform our children, and the ways in which these technologies expose our kids to new risks.

We can and must work together to ensure that media improves the lives of children and empowers families.

As we review the information needs of communities and how to update the 20-year-old Children's Television Act for the digital age, I'm optimistic that new technologies and new markets are creating new opportunities to further the public interest, enhance our democracy, and completely honor free speech and the First Amendment.

In closing, this is no ordinary time.

Our nation faces historic challenges with energy, education, health care, our security, and most significantly, our economy. New technologies are changing the way we tackle these challenges and virtually everything else about our society.

Just as this moment is unique, the broadcasting industry is unique -- with its unique history, a unique connection with viewers and the local community, unique benefits, and unique responsibilities.

Technology-driven change is never easy, but broadcasting began as a disruption-driving new technology, and it has adapted over the years to several generations of media technologies that sought to disrupt broadcasting.

The pace of change seems only to move in one direction: faster. But working together I believe we can seize the opportunities of the digital age in a way that serves our country and benefits all Americans.

Thank you.